

Message Text

UNCLASSIFIED

PAGE 01 AMMAN 05180 311001Z

50

ACTION EB-07

INFO OCT-01 NEA-10 ISO-00 DRC-01 OPR-02 IO-10 XMB-04 FEA-01

AGR-10 CEA-01 CIAE-00 COME-00 DODE-00 FRB-01 H-02

INR-07 INT-05 L-03 LAB-04 NSAE-00 NSC-05 PA-02 AID-05

CIEP-02 SS-15 STR-04 TAR-01 TRSE-00 USIA-15 PRS-01

SP-02 OMB-01 SAM-01 OPIC-06 /129 W

----- 016270

R 301400Z JUL 75

FM MAMEMBASSY AMMAN

TO SECSTATE WASHDC 5242

UNCLAS AMMAN 5180

E.O. 11652 N/A

TAGS: EIND EINV EFIN JO

SUBJECT: FOREIGN INVESTMENT CLIMATE AND STATISTICS

REF (A) STATE 165596

(B) AMMAN 1917 OF 4/10/74

1. THE FOLLOWING IS A STATEMENT (UP DATE FROM REF B) ON THE CLIMATE FOR DIRECT FOREIGN INVESTMENT IN JORDAN:

"JORDAN SMALL POPULATION ABOUT 2.5 MILLION INCLUDING THE OCCUPIED WEST BANK LIMITED NATURAL RESOURCES AND THE UNCERTAIN POLITICAL CLIMATE OF THE MIDDLE EAST HAVE CONSPIRED TO INHIBIT DIRECT FOREIGN INVESTMENT. THE 1967 WAR AND THE OCCUPATION OF THE WEST BANK CUT JORDAN'S GNP BY ABOUT 40 PERCENT BUT AN ECONOMIC UPTURN BEGAN IN 1972 AND HAS CONTINUED EVER SINCE.

"ACCORDING TO A RECENT GOVERNMENT REPORT THE REAL GROWTH IN GNP WAS 4.3 PERCENT LAST YEAR. THE SERVICE SECTOR PREDOMINATES ACCOUNTING FOR ABOUT TWO THIRDS OF THE GNP IN RECENT YEAR. MINING AND MANUFACTURING ARE UNCLASSIFIED

UNCLASSIFIED

PAGE 02 AMMAN 05180 311001Z

EXPANDING HOWEVER IN 1974 ACCOUNTED FOR 14.4 PERCENT

OF THE GDP. FARMING OCCUPIES ABOUT 30PERCENT OF THE TOTAL EAST JORDAN LABOR FORCE BUT ACCOUNTED FOR ONLY 15.6 PERCENT OF THE GDP IN 1974 A GOOD AGRICULTURAL YEAR. INFLATION WAS AROUND 20 PERCENT LAST YEAR BUT SEEMS TO HAVE MODERATED SLIGHTLY. THE ATTRACTION OF JORDANIAN WORKERS TO NEARBY OIL PRODUCING COUNTRIES COULD HOWEVER BECOME A SERIOUS CONSTRAINT ON ECONOMIC DEVELOPMENT IN THE FUTURE.

"THE GOVERNMENT IS BY FAR THE LARGEST EMPLOYER IN JORDAN AND HAS TAKEN AN ACTIVE ROLE IN PROMOTING ECONOMIC DEVELOPMENT. EXPENDITURES IN THE CURRENT THREE YEAR PLAN 1973-75 CHIEFLY INFRASTRUCTURE PROJECTS ARE FINANCED BY DOMESTIC REVENUES AND FOREIGN LOANS AND GRANTS. A FIVE YEAR PLAN NOW BEING PREPARED WILL BE MORE AMBITIOUS THAN THE CURRENT PLAN WITH A TARGET INVESTMENT FIGURE OF \$750 MILLION.

"BUDGET SUPPORT GRANTS FROM OTHER ARAB COUNTRIES AND THE US HAVE HELPED THE GOVERNMENT TO COVER THE SHORTFALL OF DOMESTICALLY GENERATED REVENUES. THESE GRANTS PLUS DEVELOPMENT LOANS AND GRANTS AND LARGE REMITTANCES FROM JORDANIANS WORKING ABOARD HAVE KEPT FOREIGN EXCHANGE HOLDINGS HIGH INSPITE OF LARGE TRADE DEFICITS. FOREIGN EXCHANGE RESERVES COVER 12 MONTHS IMPORTS AT THE CURRENT LEVEL. WHILE FOREIGN INVESTORS HAVE BEEN PERMITTED TO TRANSFER PROFITS AND INTEREST WITH MINIMUM DELAYS FOREIGN EXCHANGE CONTROLS HAVE JUST BEEN LIBERALIZED.

"THE GOVERNMENT HAS INVESTED IN ACTIVITIES WHERE THE PRIVATE SECTOR LACKED EXPERIENCE AND OR CAPITAL AND NOW HOLDS SHARES IN 27 ENTERPRISES. MOST ECONOMIC ACTIVITY IS CARRIED OUT BY PRIVATE FIRMS HOWEVER LEGISLATION IN 1967 REVISED IN 1972 ENCOURAGES FOREIGN INVESTMENT BY GRANTING EXEMPTIONS FROM INCOME AND SOCIAL SERVICE TAXES TO APPROVED PROJECTS FOR 6-9 YEARS. APPROVED INVESTORS ARE ALSO EXCUSED FROM IMPORT DUTIES ON CAPITAL GOODS AND CAN BE GRANTED GOVERNMENT LAND. NONJORDANIANS MAY NOT HOLD OVER 49 PERCENT OF THE EQUITY OF A LOCAL COMPANY WITHOUT GOVERNMENT APPROVAL. A NEW ENCOURAGEMENT OF INVESTMENT LAW IS NOW BEING PREPARED WHICH PROMISES TO MAKE JORDAN MORE ATTRACTIVE TO FOREIGN INVESTORS AND OPIC POLITICAL RISK UNCLASSIFIED

UNCLASSIFIED

PAGE 03 AMMAN 05180 311001Z

INSSURANCE IS AVAILABLE.

"DIRECT FOREIGN INVESEMENT HAS BEEN SMALL AND CONCENTRATED PRIMARILY IN BANKING. EARLIER THIS YEAR A US FERTILIZER MANUFACTURER AGREED TO PROVIDE 25.1 PERCENT OF THE EQUITY FOR A \$180 MILLION FERTILIZER PLANT TO BE BUILT IN THE PORT OF AQABA. AN AMERICAN OIL COMPANY WILL SOON BEGIN EXPLORATORY WORK IN A CONCESSION IN NORTH-

WESTERN JORDAN AND OTHER US AND THIRD COUNTRY FIRMS
HAVE DEMONSTRATED INCREASING INTEREST IN NEW PROJECTS
NOTABLY IN TOURISM AND MINING. AT LEAST ONE US COMPANY
HAS MOVED ITS MIDDLE EAST REGIONAL OFFICE TO AMMAN
AND AQABA FREE TRADE ZONE MAY ATTRACT MANUFACTURERS
WISHING TO SUPPLY OTHER AREA MARKETS.

2. IN REPLY TO PARA 7 REFTEL WE ESTIMATE THE BOOK VALUE
OF DIRECT US INVESTMENT IN JORDAN AT THE END OF 1974 AT
AROUND \$9 MILLION, PRIMARLY IN BANKING AND INSURANCE.
THE ONLY OTHER COUNTRY WITH SIGNIFICANT DFI IN JORDAN IS
THE UK WITH AN INVESTMENT OF AROUND \$3 MILLION. THERE
IS NO DATUM ON JORDANIAN INVESTMENT IN THE US BUT WE
BELIEVE IT IS VERY SMALL.
PICKERING

UNCLASSIFIED

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: INSTRUCTIONS, INVESTMENT OPPORTUNITY REPORTS
Control Number: n/a
Copy: SINGLE
Draft Date: 30 JUL 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Authority: n/a
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 JAN 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975AMMAN05180
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D750264-0610
From: AMMAN
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t1975076/aaaaaevj.tel
Line Count: 130
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EB
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: 75 STATE 165596
Review Action: RELEASED, APPROVED
Review Authority: hartledg
Review Comment: n/a
Review Content Flags:
Review Date: 11 FEB 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <11 FEB 2003 by ThomasVJ>; APPROVED <03 FEB 2004 by hartledg>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
06 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: FOREIGN INVESTMENT CLIMATE AND STATISTICS
TAGS: EIND, EINV, EFIN, JO
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 06 JUL 2006